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EX PARTE NOTICE

February 27, 1997

William F. Caton
Secretary
Federal Communications Commission
1919 M Street, NW
Room 222
Washington, DC 20554

EX PARTE OR LATE FILED

RECEIVED

FEB 27 1997

Dear Mr. Caton:

Federal Communications Commission
Office of Secretary

RE: CC Docket 96-262. Access Charge Reform

On February 27, 1997, USTA and several members met with Doug Slotten, Richard Cameron, Claudia Fox, and Helen McLean of the Common Carrier Bureau's Competitive Pricing Division. The USTA delegation consisted of Bob DeBroux (TDS), Jeff Reynolds (ALLTEL), Michael Fox (Hiawatha), Jim Lowell (USTA) and Keith Townsend (USTA). The purpose of this meeting was to discuss issues about Access Charge Reform in the attachment to this notice which are consistent with Comments filed by USTA in this proceeding.

An original and one copy of this ex parte notice are being filed. Please include a copy of this ex parte notice and the attachment in the record of this proceeding.

Respectfully submitted,

Keith Townsend

Keith Townsend
Director
Regulatory Affairs & Counsel

cc: Doug Slotten
Richard Cameron
Claudia Fox
Helen McLean
Bob DeBroux
Jeff Reynolds
Michael Fox

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RATE OF RETURN LECS

Access Reform Issues

USTA Ex Parte Meeting

February 27, 1997

ROR LEC CONCERNS IN CURRENT PROCEEDING

CC Docket No. 96-262

- o Direct and Indirect Implications of Access Reform**
 - Need ability to respond to competition**
 - Price caps not a viable option (productivity sustainability)**

- o Significant Arbitrage Risks**

- o Heavy Reliance on Access Revenues (60% avg., up to 80%)**
 - Low proportion of high margin customers**
 - Rural exemption/2% susp. & mod. are temporary measures**

ROR LEC CONCERNS IN CURRENT PROCEEDING (CONT.)

- o Issues in Current Proceeding Applying to all LECs**
 - Treatment of Subscriber Line Charge (SLC)**
 - Recovery of Tandem Interconnection Charge (TIC)**
 - Recovery of Carrier Common Line Charge (CCLC)**

SUBSCRIBER LINE CHARGE (SLC)

- o **Present Caps of \$3.50 and \$6.00 should not be changed for ROR LECs**
- o **SLC caps should continue to apply to all lines for ROR LECs**
- o **Potential impacts of removal of \$6.00 cap on NECA CL Pool LECs**
 - **Avg. multi-line SLC per line**
 - \$9.17 for all pooling LECs**
 - \$10.12 for pooling LECs under 10K lines**

TANDEM INTERCONNECTION CHARGE (TIC)

- o TIC is recovery mechanism for real costs. Full recovery essential**

- o Total Interstate TIC Examples for ROR LECs**
 - \$192.4M for NECA TS Pool LECs**
 - 17.1M for ALLTEL**
 - 10.5M for Cincinnati Bell**
 - 2.5M for Roseville**
 - 2.2M for Illinois Consolidated**
 - 1.1M for Lufkin-Conroe**

TANDEM INTERCONNECTION CHARGE (CONT.)

- o Significant portion of TIC is tied to current FCC rules**

- o ROR LECs support TIC recovery as follows:**
 - Allocate where possible on cost-causative basis**
 - Recover balance on per-minute basis - Section 69.124(b)(1)**

CARRIER COMMON LINE CHARGE (CCLC)

- o **ROR LECs support recovery of CCLC through flat-rate, per-line charge paid by IXC. Non-PIC customers would be direct billed.**
- o **Common Line costs are proportionately higher for ROR LECs**

ROR LEC THOUGHTS REGARDING FUTURE PROCEEDING

- o ROR LECs are diverse and have different needs**
 - Midsize LECs serving relatively concentrated urban areas (Cincinnati Bell), small communities (Illinois Consolidated), insular areas (Puerto Rico, Guam) and Alaska (ATU, TELALASKA)**
 - Midsize LECs serving multiple, mostly rural study areas (ALLTEL, Century, TDS)**
 - Small LECs serving rural, high cost areas**

- o Timing of Future Proceeding?**